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TO: AIAM Environment & Energy Subcommittee

FROM: John M. Cabaniss, Jr.
Director, Environment & Energy

RE: **CLIMATE CHANGE - Draft Outline of Senate
Climate Change Bill**

Attached is a draft outline of a climate change bill being put together by Senators Murkowski and Hagel entitled the "National Climate Change Risk Management Act of 2001".



CLI4748

Talking Points Climate Change Legislation

- Presidential review of domestic and international policy under way
- Introduction of legislation best signal we can give to White House: they've seen it; are supportive
- Existing proposals (S882, S1776 – 106th Congress) can be modified to fit with President's statements on climate change
 - ▶ March 13 letter – “technologies, market incentives, and other creative ways to address global climate change ... in the context of a national energy policy ...”
 - ▶ FHM/Craig/Hagel – “risk of climate change is risk we must responsibly address using energy technology”
- Several voluntary initiatives under way – need focused mechanism to build support for U.S. position in international negotiations
- Long-term approach required – regulatory certainty key for new investment; right market signals

The Proposal:

- Organize around central notion of “risk management”
 - ▶ climate change poses risks of unknown timing and severity – need to develop approach to manage risk responsibly
- Risk management means:
 - ▶ **develop a long-term strategy** – convene a Commission of experts from a variety of fields to achieve UNFCCC goals (Sec. 3-4)
 - ▶ **quantify risk** – improve scientific research program; invest in improved observations and climate models (Sec. 12)
 - ▶ **develop tools to address problem** – comprehensive R&D program; “next-generation” energy technologies, sequestration (Sec. 5, 7-9)

- ▶ **remove disincentives** – provide regulatory certainty that emissions reductions made now will not be penalized later; remove barriers to deployment of energy technology (Sec. 6, 10)
- ▶ **encourage a global solution** – international technology transfer programs; remove barriers (Sec. 11)

Benefits:

- *consistent with President's views* – voluntary, long-term, energy-technology based; free-market; least-cost; global solution
- *minimal cost* – Commission determines least-cost path to emissions goal, using energy technology, flexible market mechanisms and incentives
- *global solution* – encourages developing country participation through technology transfer – fosters U.S. competitiveness
- *does not require future cap-and-trade system* – but provides regulatory certainty needed to encourage early voluntary emissions reductions
- *yields real emissions reductions* – stakeholders (environmental, industry) develop necessary reporting and verification procedures
- *strengthens hand of U.S. negotiators* – demonstrates significant domestic action, allows U.S. to work out details of system – “learning by doing”
- *is more than just CO₂* – would reward reductions of emissions of methane and nitrous oxide, halocarbons – could be expanded to include soot, etc.
- *is more than just electric power sector* – agriculture, forestry, transportation, and end-use energy consumption also participate
- *sends right market signals* – focus on innovation, investment in new technology; not prescriptive regulation
- *maintains policy flexibility* – Commission process allows policy to adapt to new science findings, availability of technology, human response

**PROPOSED SECTION-BY-SECTION ANALYSIS
CLIMATE CHANGE LEGISLATION**

Section 1 – Short Title. This Act may be cited as the “National Climate Change Risk Management Act of 2001”.

Section 2 – Purpose. Establishes that the purpose of this legislation is to develop a national strategy to responsibly manage the risks posed by global and regional climate change, and to authorize energy technology and scientific research programs to carry it out. Reaffirms the U.S. commitment to meeting the goals of the UN Framework Convention on Climate Change, namely, “stabilization of greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system”.

Section 3 – Presidential Commission. Establishes an Presidential Commission on Climate Change to develop a national strategy to manage the risks posed by potential climate change. The Director of the Office of Science and Technology would serve as Chair of the Commission, and the remaining members would be nominated by professional societies in fields of science, economics, and technology. Sets forth terms of service and authorizes funding to carry out necessary activities.

Section 4 – National Climate Change Strategy. Requires the Presidential Commission outlined in Section 3 to report to Congress and the President within 18 months after date of enactment on recommendations for legislative or administrative actions that would comprise a suitable national climate change strategy. Such a strategy could include actions to (1) develop breakthrough energy technologies that use the full diversity of energy resources; (2) accelerate the diffusion of new energy technologies into domestic and international energy markets; (3) expand existing scientific research programs to reduce uncertainty in measurement and forecasting of global and regional climate change and its impacts; and (4) investigate to what extent social and political institutions and technological systems can adapt to climate impacts.

Section 5 – Office of Global Climate Change. Amends Section 1603 of the Energy Policy Act of 1992 to replace provisions establishing a Director of Climate Protection with those establishing an Office of Global Climate Change within the Department of Energy. Requires the Office to serve as a focal point for coordinating for the Secretary of Energy and Congress, all departmental issues and policies regarding climate change and related matters, and to be headed by a Director, appointed by the Secretary.

Section 6 – Voluntary Greenhouse Gas Emissions Reduction Incentive Program. Requires the Secretary of Energy, through the Administrator of the Energy Information Administration, to conduct and submit to specified congressional committees a review of what changes should be

made to existing guidelines (Section 1605(b) of the Energy Policy Act of 1992) for accuracy and reliability of voluntarily reported information on greenhouse gas reductions, to avoid penalizing entities or persons who report voluntary greenhouse gas reductions prior to the design and implementation of any possible future emissions control program ("baseline protection"), and to provide for registration of voluntary transactions of such reported greenhouse gas emissions reductions between reporting parties. Provides for incorporation into existing guidelines any changes found to be beneficial and cost effective in improving the accuracy and reliability of reported information and its uses.

Section 7 – Climate Technology Research, Development, and Demonstration Program. Requires the Secretary of Energy to establish a long-term Climate Technology Research, Development, and Demonstration Program to foster development of new technologies and the enhancement of existing technologies that (1) reduce or avoid anthropogenic emissions of greenhouse gases; (2) remove and sequester greenhouse gases from emissions streams; and (3) remove and sequester greenhouse gases from the atmosphere. Requires submission of a ten-year plan to Congress with explicit technology and greenhouse gas emissions reduction goals intended to guide selection of activities funded through the Program. Directs the Secretary to solicit proposals for conducting such activities, and describes proposal requirements and criteria for proposal selection. Requires the Secretary of Energy to report annually to Congress which evaluates the quantitative progress of funded proposals toward program objectives and technology and greenhouse gas emissions reduction goals. Authorizes \$200 million in annual appropriations for fiscal years 2002 through 2011, available until expended.

Section 8 – Comprehensive Plan and Implementing Program for Energy Research, Development and Demonstration. Amends the Federal Nonnuclear Energy Research and Development Act of 1974 to require a specified energy research, development, and demonstration plan to include solutions to the effective management of greenhouse gas emissions in the long term by the development of technologies and practices designed to reduce or avoid anthropogenic emissions of greenhouse gases or remove and sequester greenhouse gases from emissions streams and the atmosphere. Includes within program elements and activities research, development, and demonstration designed to pursue a long-term climate technology strategy to demonstrate a variety of technologies to reduce, avoid, or sequester greenhouse gas emissions.

Section 9 – Review of Federally Funded Energy Technology Research and Development. Requires the Secretary of Energy to conduct an annual review any federally funded energy technology research and development activities. The review will assess the status of the energy technology, including lead-time required until deployment, cost, safety, potential barriers to deployment, and other relevant factors. The review will also assess the available resource base for any energy resources utilized by each technology, and the potential for expanded sustainable use of the resource base. Requires the Secretary of Energy to establish an information clearinghouse to disseminate the results of federally funded energy technology research and development activities.

Section 10 – Study of Regulatory Barriers to Rapid Deployment of Greenhouse Gas Emission Reduction Technology. Requires the Comptroller General, in consultation with the Secretary of Commerce and the U.S. Trade Representative, to identify and evaluate regulatory or other barriers to rapid domestic or international deployment of technology to reduce greenhouse gas emissions. Requires the Comptroller General to recommend to Congress any necessary changes in law necessary to reduce such barriers.

Section 11 – International Deployment of Energy Technology to Mitigate Climate Change. Authorizes a pilot program to provide financial assistance, subject to available appropriations, for qualifying international energy deployment projects. Sets forth criteria for selection, namely, that qualifying projects must be built, operated, and used outside the United States and must increase energy efficiency compared to the technology that would otherwise be implemented. Provides for selection of projects by the Secretary of Energy, after consultation with the Secretary of State, the Secretary of Commerce and the U.S. Trade Representative. Provides for financial assistance for qualifying projects in the form of a loan or loan guarantee not to exceed 50% of total project cost, with an interest rate that equals the interest rate for Treasury obligations then issued for comparable maturity periods. Provides that a qualifying international energy deployment project funded under this title would not be eligible as a qualifying clean coal technology under Section 415 of the Clean Air Act. Requires DOE to submit a report to the President on the results of the pilot projects no later than five years after enactment of this Act. Authorizes \$100 million in annual appropriations to fund the programs under this title for fiscal years 2002-2006.

Section 12 – Coordination of Global Change Research. Provides the Director of the U.S. Global Change Research Program (USGCRP) with new authority for the purposes of coordinating and strengthening scientific research with respect to climate observation systems and climate modeling. Authorizes \$50 million in new funding for each of fiscal years 2002 through 2004, and such sums as are necessary thereafter. Requires that the Program utilize where possible existing Working Groups and other resources in laboratory activities.

Section 13 – Conforming Amendment. Amends Section 1103(b) of the Global Climate Protection Act of 1987 to require the President to consult with DOE in addition to EPA when developing and proposing national policy on climate change.